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TO SECSTATE WASHDC 9995
INFO AMEMBASSY BERLIN
MAMEMBASSY BUCHAREST 1584
AMEMBASSY BUDAPEST
AMEMBASSY BELGRADE
AMEMBASSY PRAGUE
AMEMBASSY MOSCOW
AMEMBASSY WARSAW
US MISSION NATO 406

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E.O. 11652: N/A
TAGS: EGEN, BU
SUBJECT: FIRST HALF 1975 REPORT ON PLAN FULFILLMENT

1. BEGIN SUMMARY. GOB ANNOUNCEMENT ON PLAN FULFILLMENT FOR FIRST HALF OF 1975 PRESENTS GENERALLY FAVORABLE AND OPTIMISTIC PICTURE, BUT CUSTOMARY STYLE MAKES SYSTEMATIC ANALYSIS IMPOSSIBLE. JARRING FACTOR IN REPORT IS CONTINUED IGNORING OF INCREASED PRICES, PARTICULARLY FOR SOVIET OIL AND OTHER RAW MATERIALS WHICH CANNOT HELP BUT INTRODUCE AT LEAST AN ELEMENT OF INFLATION AS WELL AS OTHER DISTORTIONS INTO ECNOMIC PICTURE. NOTEWORTHY IS JUMP IN FOREIGN TRADE WITH SOCIALIST COUNTRIES, WHICH MAY BE RELATED TO PRICE INCREASES.
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WHILE REPORT CANNOT BE TAKEN AT FACE VALUE, IT DOES APPEAR BULGARIANS ACHIEVED CONSIDERABLE SUCCESSES IN FIRST HALF OF YEAR; AND THAT PROSPECTS FOR US AND WESTERN BUSINESS ARE STILL FAVORABLE. END SUMMARY.

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2. INTRODUCTION TO OFFICIAL ANNOUNCEMENT ON PLAN FULFILLMENT FOR FIRST HALF OF 1975, WHICH WAS RELEASED BY MINISTRY OF INFORMATION AND COMMUNICATIONS JULY 30, PAYS TRIBUTE TO "DEEPENING INTERNATIONAL INTEGRATION" OF SOCIALIST ECONOMIES AND MAKES SPECTACULAR CLAIM THAT PRODUCTION COSTS INCLUDING RAW MATERIALS, FUELS AND ENERGY WERE REDUCED AS COMPARED TO FIRST HALF OF 1974. AS REGARDS INDUSTRY, COSTS WERE REPORTEDLY REDUCED BY ONE PERCENT. INCREASED COSTS FOR SOVIET OIL AND RAW MATERIALS (WHICH BULGARIANS HAVE NEVER PUBLICLY ACKNOWLEDGED DOMESTICALLY) MAKE CLAIMS SUSPECT. CONCEIVABLY, USE OF OIL AND RAW MATERIALS PURCHASED PREVIOUSLY AT LOWER PRICES PLUS CONSERVATION CAMPAIGN KEPT COSTS DOWN, BUT SUSPICION IS THAT REPORT SIMPLY FAILS TO REFLECT ALL THE FACTS.

3. INDUSTRY:

A. ACCORDING TO ANNOUNCEMENT, INDUSTRIAL SECTOR OVERFULFILLED PLAN BY 3 PERCENT WITH PRODUCTION 11.6 PERCENT HIGHER THAN SAME PERIOD 1974. MACHINE-BUILDING AND METAL PROCESSING INDUSTRY INCREASED PRODUCTION 17.9 PERCENT, CHEMICAL AND RUBBER INDUSTRY 18.3 PERCENT, AND FERROUS METAL INDUSTRY 10.2 PERCENT. ALL OKRUGS OVERFULFILLED PLAN WITH EXCEPTION OF VARNA WHICH IS PROBABLY EXPLAINED BY FACT THAT HUGE DEVNYA CHEMICAL COMPLEX IS LISTED AS ONE OF ENTERPRISES FAILING TO MEET PLAN.

B. EIGHTY-FIVE PERCENT OF INCREASE IN INDUSTRIAL PRODUCTION IS ATTRIBUTED TO INCREASED LABOR PRODUCTIVITY, OVERACHIEVING PLAN BY 2.6 PERCENT AND EXCEEDING 1974 BY 9.5 PERCENT. FIGURES, IF ACCURATE, WOULD INDICATE SUBSTANTIAL SUCCESS IN CAPITAL INVESTMENT PROGRAM.

4. AGRICULTURE:

A. AGRICULTURAL SECTION OF ANNOUNCEMENT SURPRISINGLY
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SUBDUED IN VIEW OF BETTER PROSPECTS FOR CROPS IN COMPARISON WITH DROUGHT-AFFECTED HARVEST LAST YEAR. RESULTS 1975 HARVEST WOULD BE LARGELY REFLECTED IN STATISTICS FOR SECOND HALF OF YEAR, HOWEVER. ALSO, PLAN CALLS FOR AMBITIOUS 9.3 PERCENT INCREASE IN AGRICULTURE PRODUCTION IN 1975 OVER 1974, WHICH MAY BE DIFFICULT TO MEET DESPITE FACT 1974 BASE WAS "SLIGHTLY BELOW" THAT OF 1973 BECAUSE OF DROUGHT.

B. NUMBER OF LIVESTOCK SHOWN AS INCREASING BY 5.7 PERCENT WITH CATTLE UP 6.4 PERCENT, INDICATING FODDER PROBLEM CAUSED BY DROUGHT WAS OVERCOME TO EXTENT HERDS WERE

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NOT DEPLETED, BUT YIELD OF MILK PER COW DID DECREASE. ALSO NUMBER OF POULTRY DECLINED BY 3.1 PERCENT.

5. CONSTRUCTION:

A. CONSTRCTION IS SHOWN AS 100 PERCENT FULFILLING PLAN WITH A 5.8 PERCENT INCREASE OVER FIRST HALF OF 1974. COMPLETED HOUSING REPORTEDLY EXCEEDED 1974 PERIOD BY 6 PERCENT, WITH 13,081 NEW DWELLINGS REPORTEDLY TURNED OVER FOR OCCUPANCY, A WHOPPING 31.4 PERCENT INCREASE OVER FIRST HALF 1974. IN ADDITION CONSTRUCTION WAS REPORTEDLY COMPLETED ON 14,440 OTHER DWELLINGS WHICH WERE NOT YET TURNED OVER FOR OCCUPANCY. REPORT PRIMARILY ATTRIBUTES INCREASED CONSTRUCTION TO IMPROVED LABOR PRODUCTIVITY, UP 6.6 PERCENT OVER CORRESPONDING PERIOD LAST YEAR AND 2.9 PERCENT OVER PLAN.NEW FIXED ASSETS OF NEARLY 1.3 BILLION LEVA WERE COMPLETED DURING PERIOD AND A NUMBER OF IMPORTANT INDUSTRIAL PROJECTS WERE OPENED, INCLUDING THIRD STAGE OF BURGAS PETROCHEMICAL WORKS AND ADDITIONAL FACILITIES AT KREMIKOVTSI STEEL COMPLEXES.

B. APPEARS SOME SUCCESS WAS ACHIEVED IN CONSTRUCTION WHICH HAS PERENNIALLY BEEN PROBLEM. MORE RATIONAL USE OF LABOR AND MATERIALS AFTER CRASH PROJECTS IN HONOR OF 30TH ANNIVERSARY OF REGIME LAST YEAR MAY HAVE CONTRIBUTED TO IMPROVEMENT.

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R 051002Z AUG 75
FM AMEMBASSY SOFIA
TO SECSTATE WASHDC 9996
INFO AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
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AMEMBASSY BELGRADE

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6. FOREIGN ECONOMIC RELATIONS:

A. SECTION ON FOREIGN ECONOMIC RELATIONS REPORTS TRADE WITH SOCIALIST COUNTRIES UP 26.7 PERCENT OVER FIRST HALF 1974. LARGE INCREASE IS PROBABLY REFLECTION OF HIGHER PRICES FOR SOVIET RAW MATERIALS AND POSSIBLY INCREASED PRICES FOR BULGARIAN EXPORTS, BUT NO INFORMATION HAS BEEN MADE PUBLIC. PRIVATELY BULGARIAN OFFICIALS SAY INCREASED PRICES THEY MUST PAY WILL BE BALANCED BY INCREASED PRICES FOR EXPORTS. ACCORDING TO ANNOUNCEMENT, 81 PERCENT OF BULGARIAN EXPORTS DURING PERIOD WERE TO SOCIALIST COUNTRIES; 57 PERCENT TO SOVIET UNION. IN COMPARISON, EMBASSY DEVELOPED FIGURES FOR ALL OF 1974
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SHOW SOCIALIST COUNTRIES TOOK 75.9 PERCENT OF BULGARIAN RBEXPORTS.

B. NO FIGURES FOR OTHER AREAS OF WORLD GIVEN IN REPORT. TRADE WITH US IN FIRST FOUR MONTHS OF 1975 EXCEEDED ALL OF 1974, AND DIPLOMATIC CORPS COLLEAGUES REPRESENTING WESTERN COUNTRIES HAVING MUCH LARGER SHARE OF MARKET THAN US SAY TRADE WITH BULGARIA IS INCREASING RAPIDLY, WITH BULGARIAN DEFICIT IN TERMS OF TRADE GROWING. STILL, IN VIEW OF LARGE PERCENTAGE INCREASE OF TRADE WITH CEMA COUNTRIES, WESTERN (I.E., NON-SOCIALIST) SHARE OF TOTAL TRADE LIKELY TO BE SOMEWHAT BELOW 1974'S 27 PERCENT.

7. LIVING STANDARDS:

A. SECTION ON LIVING STANDARD INDICATES RESPECTABLE PROGRESS. AVERAGE WAGE IN INDUSTRY IS SHOWN UP 5.0 PERCENT; IN CONSTRUCTION 5.2 PERCENT, AND IN RAILWAY TRANSPORT 4.2 PERCENT. HOWEVER, IN AUTOMOBILE TRANSPORT IT WAS ONLY 2.0 PERCENT AND PUBLIC CATERING 2.1 PERCENT. AT BEGINNING OF THE REPORT, TOTAL INCOME PER PERSON FOR AN UNDEFINED CATEGORY IS LISTED AS UP 7.5 PERCENT. THERE IS NO EXPLANATION FOR APPARENT INCONSISTENCY. IN ANY EVENT WAGE INCREASES ALONG WITH RELATIVELY STABLE CONSUMER PRICES SPELLS SOMEWHAT BETTER LIFE FOR BULGARIANS WHICH IS CONFIRMED IN PART BY SUBJECTIVE OBSERVATIONS OF EMBOFFS. CLAIM IS OFFICIALLY MADE THAT INDEX OF RETAIL PRICES HAS ACTUALLY DROPPED FROM 100 IN 1968 TO 99.7 IN 1974. THIS IS UNDOUBTEDLY EXAGGERATED, BUT BULGARIANS

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HAVE OBVIOUSLY BEEN QUITE SUCCESSFUL IN MAINTAINING RELATIVELY CONSTANT CONSUMER PRICES ALTHOUGH AT COST OF WHAT SHORTAGES AND HIDDEN SUBSIDIES IS OPEN QUESTION AS IS HOW LONG GOB WILL BE ABLE OR WILLING TO CONTINUE PRACTICE.

B. REPORT ALSO CLAIMS SUBSTANTIAL INCREASES IN RETAIL SALES. SALES OF MEAT AND MEAT PRODUCTS UP 15 PERCENT OVER FIRST HALF 1974 LEADS LIST OF FOOD PRODUCTS. IN SAME PERIOD REPORTED SALES INCREASES WERE: WASHING MACHINES 39.1 PERCENT, RADIOS 32.6 PERCENT, MOTORBIKES 46.3 PERCENT, MOTORCYCLES 24.8 PERCENT, BICYCLES 10.7 PERCENT AND AUTOMOBILES 9.8 PERCENT. REPORT ADMITS CONTINUED SHORTAGE
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OF BUILDING MATERIALS AND HOUSING SITUATION IN CITIES LIKELY TO REMAIN ATROCIOUS FOR FORESEEABLE FUTURE EVEN WITH IMPROVEMENT OF TYPE LISTED IN PRECEDING SECTION ON CONSTRUCTION.

8. TRANSPORTATION AND COMMUNICATIONS:

REPORT ALSO INCLUDES SECTIONS ON TRANSPORTATION AND COMMUNICATIONS. FORMER CLAIMS TRANSPORT OF FREIGHT UP 15.7 PERCENT AND OF PASSENGERS UP 2.0 PERCENT OVER FIRST HALF 1975. COMMUNICATIONS SECTION REPORTS REGISTRATION OF 39,319 NEW TV SETS AND EXPANSION OF TELEPHONE AND TELEX SERVICES.

9. COMMENT:

A. ANNOUNCEMENT MAKES NO MENTION OF WEST EVEN IN SECTION ON FOREIGN TRADE. IT IS TOTALLY ORIENTED TO DOMESTIC SCENE AND RELATIONS WITH SOCIALIST COUNTRIES, PARTICULARLY, OF COURSE, SOVIET UNION. THIS DOES NOT MEAN OPPORTUNITIES FOR EAST-WEST TRADE HAVE DECLINED. INCREASED TRADE WITH US AND OTHER WESTERN COUNTRIES DURING FIRST PART OF YEAR HAVE ALREADY BEEN CITED. WITH EXPANDING ECONOMY AND INCREASED SOPHISTICATION IN ALL SECTORS OF ECONOMY, BULGARIA WILL HAVE STILL GREATER NEED FOR MOST MODERN TECHNOLOGY. IN PREPARATION OF NEXT FIVE-YEAR PLAN (1976-80), BULGARIANS ARE PARTICULARLY ACTIVE IN LINING UP PROSPECTIVE WESTERN SOURCES OF TECHNOLOGY AND THE NECESSARY FINANCING.

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B. BULGARIAN UNFAVORABLE BALANCE OF TRADE WITH WEST IN 1974 AND APPARENT CONTINUATION OF THAT TRENDIN 1975 RAISE SOME QUESTION OF BULGARIA'S ABILITY TO PAY ITS DEBTS. THERE ARE SOME REPORTS OF LONG DELAYS IN PAYMENTS, BUT EMBASSY DOES NOT BELIEVE THERE IS AN IMMEDIATE PROBLEM. IN ANY CASE ITS DIMENSIONS ARE LESSENED BY FAVORABLE BALANCE OF TRADE WITH SOME NON-WESTERN, NON-SOCIALIST COUNTRIES AND BY TRANSFERS OF FUNDS TO BULGARIA FROM TOURISM AND INTERNATIONAL TRUCKING. REAL PROBLEM WILL ARISE ONLY IF DEFICIT BALANCE OF TRADE CONTINUES FOR SEVERAL MORE YEARS. IN MEANTIME IMPORTATION OF TECHNOLOGY TO INCREASE PRODUCTIVITY SHOULD PAY OFF.

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C. EMBASSY CONTINUES TO BELIEVE SOVIETS HAVE ENCOURAGED BULGARIANS TO TURN TO WEST AND PARTICULARLY US FOR TECHNOLOGICAL NEEDS THAT SOVIET UNION CANNOT SUPPLY AND IS SEEKING FOR ITSELF. FURTHERMORE, WITH DEEPENING INTEGRATION OF BULGARIA WITH SOVIET UNION, LATTER COULD PROBABLY NOT FAIL TO BAIL OUT ITS BULGARIAN ALLIES IN CASE OF FINANCIAL EMERGENCY.

D. BUT OMNIPRESENT IN THE FOREGOING ANALYSIS IS OUR IGNORANCE OF DEVELOPING TERMS OF TRADE BETWEEN BULGARIA AND SOVIET UNION AS A RESULT OF NEW PRICE STRUCTURES.

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BULGARIANS SEEM TO BE CONFIDENT EVERYTHING WILL BALANCE
OUT AND BE BASICALLY SAME AS BEFORE, BUT THEY MAY BE
WHISTLING IN THE DARK. TIME WILL TELL, AND UNTIL IT DOES
AN EXTRA AMOUNT OF CAUTION HAS TO BE EXERCISED IN JUDGMENTS
ON STATE AND TREND OF BULGARIAN ECONOMY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SOFIA01610
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750270-0125
From: AMEMBAASSY SOFIA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1975/newtext/t197508102/baaaagkh.tel
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Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 02 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 MAY 2003 by ShawDG>; APPROVED <24 SEP 2003 by MartinML>
Review Markings:

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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: EGEN, BU
To: STATE INFO BERLIN
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